

**STATE, FOREIGN OPERATIONS, AND RELATED  
PROGRAMS APPROPRIATIONS FOR FISCAL  
YEAR 2009**

---

**TUESDAY, MARCH 4, 2008**

U.S. SENATE,  
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,  
*Washington, DC.*

The subcommittee met at 2:36 p.m., in room SD-138, Dirksen Senate Office Building, Hon. Patrick J. Leahy (chairman) presiding.

Present: Senators Leahy, Gregg, and Bennett.

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

STATEMENT OF HENRIETTA H. FORE, ADMINISTRATOR AND DIRECTOR OF FOREIGN ASSISTANCE

OPENING STATEMENT OF SENATOR PATRICK J. LEAHY

Senator LEAHY. They've doctored up this hearing room a little bit. I have to get used to where all the buttons are for the sound, as this is the first hearing of the subcommittee this year.

Senator Gregg and I have a strong interest in ensuring that our foreign aid dollars are used wisely. There have been a lot of examples, of course, where they have not been, and there have been a number of great examples where they have.

Iraq comes to mind as one example of how not to do it. If USAID had been listened to earlier, I think there would have been a lot less money wasted. We'll hold a hearing in the full committee on the Iraq reconstruction fiasco a week from today.

We also have some concerns with the effectiveness of our programs in Afghanistan and Pakistan, countries that do not get enough attention, and where we should be doing more. I'm speaking now of USAID's role.

I'm delighted that Henrietta Fore is here. She is the Director of United States Foreign Assistance. She is Administrator of the United States Agency for International Development. It's quite a mouthful of a title. Ms. Fore, we appreciate you being here.

Some say there's not enough time in an election year to accomplish anything significant. I disagree with that. We have a lot to do. We should make the most of the time we have. We want to focus on the President's fiscal year 2009 budget request for USAID, and there's a great deal in the President's request that I support.

He proposes higher levels of funding for development assistance than he has before. These funds support USAID's core programs.

They have strong bipartisan congressional support. For international health, the President proposes higher amounts for HIV/AIDS, malaria, and neglected tropical diseases.

I met with him last week, with some other leaders from the House and Senate, to talk about his Africa trip. I did point out to him, that once again, he has cut funding for child survival and maternal health, and family planning and reproductive health.

You can't take away with one hand what you gave with the other. We've got to get that in balance. One of the President's proposals is to recruit and train 300 new Foreign Service Officers to begin to rebuild USAID's professional workforce. It's long overdue.

I will support the President on that. It's something I called for years ago. I think we would be a lot further along if people had listened back then, but I'm willing to welcome converts whenever they show up.

But, in the meantime, USAID's professional staff has become a shadow of what it was. We routinely hear that USAID has become a check-writing agency for a handful of big Washington contractors and NGOs because you don't have the staff to manage a large number of smaller contracts and grants, even though oftentimes those smaller contracts and grants are the ones that will have the most effect.

Sometimes the large contractors do a good job. They do charge an arm and a leg to do it, but other times there are piles of money that are wasted. We get glowing reports, but it doesn't always reflect what you see on the ground.

The small, not-for-profit organizations are shut out of the process. I don't think that helps these countries. It certainly doesn't help U.S. taxpayers.

When your predecessor passed by here last year, he had big plans for reforming foreign aid, but he did not appear to have much of a grasp of USAID's budget and programs.

You, however, come with considerable USAID experience, and I appreciate that. The best advice I could give is to focus on two or three key areas where you can make a real difference, where USAID can become more accessible and more responsive.

I know that Senator Gregg is going to a budget meeting, but Senator Bennett—who is a very knowledgeable Senator, and one who has worked very hard in these areas—I yield to you, Senator Bennett, if you'd like to make any comments?

[The statement follows:]

#### PREPARED STATEMENT OF SENATOR PATRICK J. LEAHY

Good afternoon. This is the first hearing of this subcommittee this year. Senator Gregg and I share a strong interest in ensuring that our foreign aid dollars are used wisely. There have been many examples of when they have been, and many examples of when they have not been.

Iraq comes to mind as one example of how not to do it. If USAID had been listened to earlier I think there would have been a lot less money wasted. The Appropriations Committee will hold a hearing on the Iraq reconstruction fiasco a week from today.

We also have concerns with the effectiveness of our programs in Afghanistan and Pakistan, and countries that do not get much attention where we should be doing more.

Today we welcome Henrietta Fore who is the Director of United States Foreign Assistance and Administrator of the United States Agency for International Development. That is a mouthful of a title. Ms. Fore, we appreciate you being here.

Some say there is not enough time in an election year to accomplish anything significant. I disagree. We have a lot to do and we should make the most of the time we have.

Today we want to focus on the President's fiscal year 2009 budget request for the U.S. Agency for International Development.

There is much in the President's request that I support. He proposes higher levels of funding for Development Assistance than he has before. These funds support USAID's core programs that also have strong, bipartisan congressional support.

For international health, the President proposes higher amounts for HIV/AIDS, malaria and neglected tropical diseases. But, yet again, he cuts funding for child survival and maternal health and for family planning and reproductive health.

One of the President's proposals is to recruit and train 300 new Foreign Service Officers to begin to rebuild USAID's professional workforce. This is long overdue and I strongly support it. I and others called for this years ago. Imagine how much farther along we would be today if OMB had listened to us.

USAID's professional staff is a shadow of what it once was. We routinely hear that the reason USAID has become a check writing agency for a handful of big Washington contractors and NGOs is because you don't have the staff to manage a larger number of smaller contracts and grants.

Sometimes these big contractors do a good job, although they charge an arm and a leg to do it. Other times they waste piles of money and accomplish next to nothing, although they are masters at writing glowing reports about what a good job they did.

Meanwhile, the small not-for-profit organizations are shut out of the process. This is bad not only for U.S. taxpayers but also for the countries that need our help.

When your predecessor testified here last year he had big plans for reforming foreign aid, but he did not appear to have much of a grasp of USAID's budget and programs.

You come with considerable USAID experience. The best advice I can give you is to focus on two or three key areas where you can make a real difference to help make USAID a more accessible, responsive agency that is not beholden to a select few.

I will stop there so Senator Gregg can make any opening comments.

#### STATEMENT OF SENATOR ROBERT F. BENNETT

Senator BENNETT. Thank you very much, Mr. Chairman. I appreciate the opportunity. Madam Administrator, I've been on your side of the table, and I know that what you are allowed to say here is dictated by the elves in OMB, and that many times you would like more to agree with the people here than you agree with the people who control what you have to say.

But I notice that microenterprise programs have been cut back very dramatically in this budget. In fiscal 2008, there's going to be \$245 million to go to microenterprise programs. Of all of the things I've done since I've been in the Senate, none has been more satisfying than the work I've done to try to increase the amount of money going for microenterprise.

The request for fiscal year 2009 is \$104.5 million, so it's cut more than in half. I don't know who did that, and I really don't want to know who did that, but I want you to know that I will do what I can to try to change that around here, and get back up towards the previous number. I don't see anything but enormous value that comes out of this.

We talk about the standard reasons why it's good for the people—overwhelmingly they are women—who get these microloans. We get the anecdotal evidence of this woman, and this family, and this business, and so on. Ideologically, we make capitalists out of these people, and I think that's a very good idea. The father of microenterprise has been given the Nobel Prize, Muhammad Yunus. He's in town, he's been written up recently, and I don't know if we

get to the appropriate question point period, but I'd like to discuss that with you a little bit further.

Then having said that, I make my standard annual plea, that I'm sure you're familiar with and sympathetic with. That is the fight against corruption, and the use of these funds in governments that are corrupt, and we end up seeing bank accounts in Switzerland, or other projects that get handed out to sons-in-law, and nephews, and those sorts of things.

It goes through a laundering process of two or three ways, but somehow it ends up more in the pockets of the government officials than it ends up making sense for the people involved. I've never heard any hint of any kind of corruptions with microenterprise, which is another reason why I like it.

So those are my two hobbyhorses. This is your first time here, and I couldn't let you come without just repeating what I've repeated to all of your predecessors in these two areas.

Thank you, Mr. Chairman.

Senator LEAHY. To make it easy for you, we have two tall, bald-headed men in gray pin-striped suits, with glasses on. So just take either one. It doesn't make any difference, especially on this issue that we agree so much on—microenterprise. It goes to my point that it's easy to give a contract to a very large corporation, with a large bureaucracy, and oftentimes large cost overruns. It's kind of hard to steal the money when you're talking about a \$200 or \$300 microloan, but it may bit-by-bit change society, certainly in a number of areas that empower women who would not have been otherwise.

Go ahead and give your opening statement, please.

#### SUMMARY STATEMENT OF HENRIETTA H. FORE

Ms. FORE. All right. Thank you very much, Mr. Chairman. I am so intrigued with these subjects. I love the issues of women and business enterprise, as you know, Senator Bennett, so I would love to talk about this more deeply. Senator Leahy and Senator Bennett, thank you both for your support for the U.S. Agency for International Development over the years, but also now. It is very important for the development efforts of our country.

With your permission, Mr. Chairman, I will give a shorter oral statement. I've placed my longer statement in the record.

Senator LEAHY. Your full statement will be part of the record.

Ms. FORE. Good. Thank you very much.

The degree of turmoil and poverty in the world right now poses both challenges and opportunities for our assistance programs, and underscores the vital role of development in achieving our objectives. The dramatic election in Pakistan, Kosovo's declaration of independence, the humanitarian crises all over the world—never has foreign assistance been more critical to our national security and to the citizens of the developing world.

The path from poverty to prosperity is a long one, but already we have made progress this century. In 1981, 40 percent of the population of developing countries was in poverty. In 2004, that percentage had decreased to 18 percent, and is projected to decline further to 10 percent in 2015.

As we discuss the budget request, which can often seem dry and abstract, it is important, as I know you are very aware, to remember what this funding will mean to our partners and recipients all around the world.

For example, Senator Leahy, because of your vision, we have had great success in the services and emerging technologies to allow war victims, as well as other people with mobility-related disabilities, to become productive participants in their social, political, and economic communities.

The Prosthetic Rehabilitation and Barrier-Free Accessibility Project in Vietnam paved the way in providing mobility and barrier-free access to tens of thousands of individuals in Vietnam, as well as in other countries where its approaches and lessons have been learned and replicated.

The Marla Ruzicka War Victims Assistance Program has provided assistance to individuals, families, and entire communities harmed as a result of coalition military operations. To date, 1,311 projects have been implemented directly, assisting nearly 2 million war victims and their family members.

Both Senator Leahy and Senator Gregg, your continued attention in health and education, and the needs of Iraqi refugees, has helped ensure that they receive resources so desperately needed. Senator Bennett, thank you for being a leader in advocating for economic growth programs for the many people that we serve, as a means for people to find sustainable solutions and livelihoods.

These are small examples of the many people that we serve. Those who have the least means and opportunity, yet still yearn to build their lives, their nations, and their futures. With that backdrop, I would like to describe the highlights of the fiscal year 2009 request.

President Bush's fiscal year 2009 foreign operations budget for the State Department and the United States Agency for International Development requests \$22.7 billion—a 2.7 percent increase for the fiscal year 2008 enacted level. Our request is an increase of over \$2.1 billion, compared to the fiscal year 2008 President's budget request for State Department and USAID foreign operations accounts.

The key new component to this year's request is the \$92 million to launch the Development Leadership Initiative for USAID, which aims to strengthen and invest in USAID's critically important Foreign Service Officer core. Not only do we need to ensure the size of USAID's workforce keeps pace with the significant increases in USAID program management responsibilities, but we also need to make sure the workforce has the necessary expertise and skill sets.

The fiscal year 2009 request demonstrates our strong commitment to fighting poverty, with a focus on promoting economic growth and strengthening democratic governance, specifically in Africa and the Western Hemisphere.

This is reflected in our request for the Development Assistance Account, which is more than a 40 percent true program increase from the fiscal year 2008 request.

While we continue our strong commitment to key intervention, such as health, education, and environment, the fiscal year 2009 request renews our focus on creating comprehensive programs that

address development gaps in other sectors. We aim to leverage the large investments that we are making through PEPFAR and the MCC with balanced development programs to ensure that all of the investments that the United States makes on the ground are lasting and secure.

While I know the Public Law 480 title II appropriation is handled by a separate subcommittee, over the past 6 months commodity costs have risen 41 percent, eroding the buying power of the funds appropriated in this account, and making it ever harder for us to meet the humanitarian needs around the world.

We hope that our supplemental budget request will be enacted as soon as possible, and that any restrictions on our ability to meet lifesaving emergency food aid needs will be considered within the context of rising prices. There is a direct link to our development goals and other humanitarian assistance programs funded by this subcommittee.

I look forward to engaging with this subcommittee to ensure that America retains its humanitarian leadership. In support of the war on terror, this request will provide strong support for our critical efforts in Iraq and Afghanistan, as well as the continued focus on security assistance to our key allies, such as Israel and Egypt.

In both Iraq and Afghanistan, we are creating strong foundations for the governments to build upon. Our Iraq programs continue to focus on economic and governance reform, and in Afghanistan we are bringing the government closer to the people through improvements in health and education services, justice administration, and local governments. We will continue to work with the Government of Pakistan to end extremism and violence, particularly on the frontier region.

This is a robust request, one that is fully justified and critical to the interests of the United States, and I would be glad to take your questions. Thank you.

[The statement follows:]

#### PREPARED STATEMENT OF HENRIETTA H. FORE

Thank you for this opportunity to appear before the committee today in support of the President's fiscal year 2009 Foreign Operations budget request and to discuss our Nation's foreign assistance priorities. The degree of turmoil and poverty in the world right now poses both challenges and opportunities for our assistance programs and underscores the vital role of development in achieving our objectives. The dramatic election in Pakistan. The transfer of power in Cuba. Kosovo's declaration of independence. The safety concerns that so many of our staff and the staff of our partners face on a daily basis. The humanitarian crises in Darfur, Chad, West Bank Gaza, Iraq, Burma and Democratic Republic of Congo . . . to name a few. Never has foreign assistance been more critical to our national security, and to the citizens of the developing world.

The path from poverty to prosperity is a long one. Success can't be realized in a matter of months, by a single Administration, or by any one generation of development leadership. But already we have made progress this century. In 1981, 40 percent of the population of developing countries was in poverty. In 2004, that percentage had decreased to 18 percent and is projected to decline further, to 10 percent in 2015. According to Freedom House, by the end of 2007, the number of not free countries dropped from 59 in 1980 to 43, the number of partly free countries increased from 52 to 60, and the number of free countries increased from 51 to 90.

We are here today to talk about the fiscal year 2009 Budget for Foreign Operations. As we discuss these numbers—which can often seem dry and abstract—it is important, as I know you are very aware, to remember what this funding will mean to our partners and recipients all around the world. The surest, truest compass point I know to remember the why of what we do is to see first hand the people

we serve. The Peruvian farmer in the highlands, the Malian girl who just attended her first day at school, the Sudanese family who found safety in a refugee camp, a youth activist in Ukraine, a young trafficking victim from Vietnam, a landmine victim in Lebanon, a Kyrgyz business woman looking to expand her business. These are the people we serve—those who have the least means and opportunity yet still yearn to build their lives, their nations and their futures. With that backdrop, I would like to describe some highlights of the President's fiscal year 2009 Foreign Operations request.

President Bush's fiscal year 2009 Foreign Operations Budget for the State Department and the United States Agency for International Development (USAID) requests \$22.7 billion, a 2.7 percent increase above the fiscal year 2008 enacted level. Our request is an increase of over \$2.1 billion compared to the fiscal year 2008 President's Budget for State Department and USAID Foreign Operations accounts. This robust request was built with an improved model that reflects an integrated approach between State and USAID and Washington and our missions in the field, and a collaborative effort with other U.S. Government agencies involved in foreign assistance.

#### FOREIGN OPERATIONS REQUEST

The fiscal year 2009 budget request will strengthen and expand U.S. capacity for global engagement by enhancing our ability to pursue diplomatic and development solutions to vital national security issues. It reflects the critical role of the Department of State and USAID in implementing the National Security Strategy and addressing the conditions that facilitate terrorism by promoting freedom, democracy, and development around the world. The budget request supports five key goals: supporting our war on terror efforts, strengthening USAID's operational capacity, expanding our poverty reduction investments, maintaining a strong focus on health, and continuing our focus on security assistance. I would like briefly to address for the committee each of these goals.

#### GLOBAL WAR ON TERROR

Terrorism is the greatest challenge to our national security, and the war on terror will continue to be the focus of both diplomatic and reconstruction efforts as long as violent extremist ideologies and their proponents find safety and support in unstable and failing states. As the President said in his September speech to the U.N. General Assembly, the best way to defeat the extremists is to defeat their dark ideology with a more hopeful vision of liberty. We have made important strides in diplomatic and foreign assistance efforts in Iraq and Afghanistan, even as we recognize the daunting work that remains. The fiscal year 2009 request includes \$2.3 billion to continue providing strong support for our critical efforts in Iraq, Afghanistan and Pakistan.

Our engagement with Iraq remains the centerpiece of the United States' effort in the War on Terror. The administration's fiscal year 2009 request of \$404 million is critical to achieving our long-term goals in Iraq, the Middle East and the War on Terror. While the strategy to achieve success in Iraq has evolved, the overarching goal remains unchanged: a unified, democratic, federal Iraq that can govern, defend, and sustain itself, and is an ally in the War on Terror.

This request includes economic, democratic and governance reform programs that take advantage of the recent security gains to help the Iraqis create a strong political and economic foundation. I also would urge Congress to act quickly on the President's remaining \$986 million requested in the fiscal year 2008 Global War on Terror Supplemental. These funds are urgently needed to help the Iraqis become more self-reliant and undermine Iraq's insurgency through job creation programs for young men, capacity building, governance and reconciliation programs at both the community and national level. We would like to thank this Committee for its leadership and continued support for the Marla Ruzika War Victim's Assistance program. This program has provided assistance to individuals, families, and entire communities harmed as a result of coalition military operations. To date 1,311 projects have been implemented directly assisting nearly 2 million war victims and their family members. Your support has been essential in achieving these excellent results.

The President's request of \$1.05 billion in foreign assistance for Afghanistan will assist to fight the insurgency and establish long-term stability in the country. The United States is pursuing a multi-year program of economic development, security sector assistance, and political engagement buttressed by efforts to establish democratic institutions and improvements in governance, rule of law, and service delivery by the Government of Afghanistan. I would urge Congress to also act quickly on the

fiscal year 2008 supplemental for additional, and critical, assistance programs to help Afghanistan push-back on recent gains by the Taliban. The fiscal year 2009 request sustains activities that are supported by the fiscal year 2008 Supplemental request, which is aimed at making government more accountable and closer to the people through improvements in health and education services, justice administration, opportunities for political participation, and local governance. Efforts to improve Afghan governance, establish and strengthen democratic institutions and achieve prosperity for the Afghan people are just as crucial to winning the War on Terror as security assistance to fight insurgent groups, prevent narcotics trafficking, and train the Afghan Security Forces.

With the increasing influence of extremists in the Pakistan border region with Afghanistan, Pakistan has become an even more critical front to winning the War on Terrorism, particularly in Afghanistan. The \$826 million requested supports the Government of Pakistan in fulfilling its vision of a moderate, democratic, and prosperous country at peace with its neighbors and contributing to regional stability. It will be important to align these resources with the newly elected democratic government of Pakistan, and we are prepared to engage fully with that government on its development priorities, including in the Federally Administered Tribal Areas.

A Fiscal Year 2009 Global War on Terrorism Supplemental request is not included in this budget request. As needs are better known, the administration will request additional funds for Foreign Operations.

#### STRENGTHENING USAID'S OPERATIONAL CAPACITY

Under President Bush and with the full support of Congress, the United States has launched the largest international development effort since the Marshall Plan. USAID's workforce and infrastructure must keep pace. This request includes \$92 million to launch the Development Leadership Initiative (DLI), which aims to strengthen and invest in USAID's critically important Foreign Service Officer Corps. Not only do we need to ensure the size of USAID's workforce keeps pace with the significant increases in USAID program management responsibilities, but we also need to make sure the workforce has the necessary expertise and skill sets.

The request for the Development Leadership Initiative will allow USAID to hire an additional 300 Foreign Service Officers, a 30 percent increase in the career Foreign Service workforce. DLI will address critical staffing challenges in stewardship and technical areas, which will help provide increased accountability in U.S. foreign aid programs. We need more talent on the ground, in more countries, with the resources and skills to help build the capacity of people and institutions.

The overall request for USAID administrative accounts represents a significant increase in the resources for training and information technology from the fiscal year 2008 enacted levels. Increased training will enable the Agency to ensure that staff have essential job skills and leadership training to carry out the development mission. We need to modernize antiquated business systems to improve the integrated procurement and financial management processes, continue e-government initiatives, and improve the agency's ability to report results.

#### RENEWING THE FOCUS ON POVERTY REDUCTION

The fiscal year 2009 request demonstrates our strong commitment to fighting poverty, with a focus on promoting economic growth and strengthening democratic institutions and governance. This is reflected in our request for the Development Assistance (DA) account, which represents a 40 percent true programmatic increase from the fiscal year 2008 request.

A key priority in building this year's budget is strengthening our commitment to Africa. Funding is targeted to address development gaps and to support economic opportunity and governance programs critical to the success of the massive investments we have made through the Millennium Challenge Corporation and the President's Emergency Plan for AIDS Relief. The budget provides significant increases for democracy funding in African countries.

Another key priority is reinvigorating investment in the Western Hemisphere. Programs to advance democracy and free trade in the region are prioritized, with significant investments for Peru and Central America. Our goal is to encourage transparent and competitive political processes, promote the rule of law and respect for human rights.

#### PROMOTING FREEDOM

The United States supports freedom through promoting institutions that foster just and democratic governance for three reasons: as a matter of principle, as a central pillar of our national security strategy, and to advance our broader development



agenda. For this reason, our request for governing justly and democratically (GJD) programs has increased 27 percent from fiscal year 2008 enacted levels.

U.S. foreign assistance will support the President's Freedom Agenda to end tyranny and the Secretary's vision of Transformational Diplomacy by promoting and strengthening effective democracies in recipient states and moving them along a continuum toward consolidation and sustainable partnership. Our objective is to reduce the number of authoritarian states that do not allow meaningful political competition and do not respect human rights, and to increase the number of democracies and improve the quality of their governance.

Over 75 percent of the money is targeted to fragile democracies and authoritarian states. With this Committee's continued strong support for democracy programs, we will support elections in Afghanistan, build government capacity in Iraq, and support a genuine transition to democratic, civilian rule in Pakistan while building up the capacity to govern in the volatile frontier region. We will also continue to support democracy activists in some of the world's most repressive regimes in countries like Belarus, Burma, Cuba, Iran, North Korea, Syria, and Zimbabwe.

To assist us in the work that we do, American private capital flows to the developing world have tripled over the last three years—and now represent over 80 percent of financial flows to developing countries. This is a profound—indeed, radical change in the relationship between institutional and private foreign assistance flows. Across the broader development landscape, I envision USAID making an invaluable contribution, by using its convening influence to better coordinate public and private sector resources and programs that support human progress in the developing world. We will devote more of our management, technical expertise and financing resources to coordinating international development—and to building partnerships that will accelerate the pace of progress.

#### MAINTAIN A STRONG FOCUS ON HEALTH

This request continues our commitment to improving interventions that address critical worldwide needs for HIV/AIDS, malaria, tuberculosis, neglected tropical diseases, other infectious diseases, maternal and child health, and family planning. A total of \$1.58 billion is requested for the Child Survival and Health Programs Fund (CSH). This includes \$385 million to support the President's Malaria Initiative (PMI) to provide prevention and treatment in 15 countries severely burdened by malaria; \$370 million for life saving interventions for children and mothers, including immunizations, newborn and post-partum care; and \$301 million for high-quality, voluntary family planning.

The Global HIV/AIDS initiative continues to be the centerpiece of our health programs and is the largest source of funding for the President's Emergency Plan for AIDS Relief (PEPFAR). The request of \$4.779 billion is a substantial increase over the fiscal year 2008 enacted level. Funding will support country-based activities, international partners, technical support, and oversight and management. The fiscal year 2009 request is the first of a new, 5-year, \$30 billion commitment that builds upon and expands our initial 5-year, \$15 billion commitment.

#### CONTINUED FOCUS ON SECURITY ASSISTANCE

Building well-governed, democratic states and reducing poverty is an anti-dote to extremism and requires a foundation in security. The United States must remain a leader in combating transnational security threats, including terrorism, the proliferation of weapons of mass destruction, transnational crime and illicit narcotics. We also must continue to support bilateral and multilateral stabilization efforts in countries that are in or rebuilding from conflict. The United States cannot do this alone. Therefore, our security assistance request will help ensure that our coalition partners and friendly foreign governments are equipped and trained to work toward common security goals and share burdens in joint missions. This request includes more than \$5.1 billion for security assistance, a five percent increase over fiscal year 2008 levels.

The largest component of our security assistance request is \$4.8 billion in Foreign Military Financing (FMF). This includes \$2.6 billion for Israel, a \$150 million increase from fiscal year 2008, to support the first year of a 10-year \$30 billion strategy to help Israel maintain its qualitative military advantage.

The President also is requesting an additional \$550 million to improve security in our hemisphere through the new Merida security initiative. This initiative will combat drug trafficking, transnational crime, and related threats in Mexico and Central America, while consolidating democratic gains. Also in the Western Hemisphere, we are requesting \$406 million for the Andean Counter-drug Program to continue reducing the flow of drugs into the United States.

In Africa, we are committed to supporting peace keeping and counterterrorism efforts. The fiscal year 2009 request includes \$50 million in Peacekeeping Operations to complete the effort to transform the Liberian military, invest in building and transforming Southern Sudanese guerilla forces into a conventional army, support peace in the Horn of Africa, and provide technical assistance and training to the Democratic Republic of the Congo to stabilize this volatile region. The \$61 million total request in several accounts for the Trans Sahara Counterterrorism Partnership will facilitate coordination in countering terrorism between countries in West and North Africa.

The President's request also includes the Civilian Stabilization Initiative (CSI), designed to strengthen the U.S. Government's response to stabilization and reconstruction crises. While it is funded from the Department of State Operations budget, I would note that CSI provides for the creation of a 250-member interagency Active and 2,000-member Standby Response Corps, of which almost half will be based at USAID. Likewise, the U.S. Civilian Reserve Corps will allow the Secretary of State, and USAID as the development agency, to draw on expertise from citizens across the United States in municipal and local government, the private sector and non-governmental partners. Working closely with our Active and Standby Response Corps, these city managers, community police advisors, municipal utility engineers and other experts will allow us to put the right people in the right place at the right time when we need them most.

Finally, I would like to note that there have been concerns expressed among our partners in the NGO community that humanitarian funding has been reduced in the fiscal year 2009 request. I want to assure the committee that this administration supports America's proud tradition of helping those most in need when natural or man-made disaster strikes. As always with regard to humanitarian assistance accounts, additional requests for resources will be made during the course of the year, as the level of requirements becomes clearer. While I know that the Public Law 480 Title II appropriation is handled by a separate subcommittee, the funds requested for emergency food aid have a direct link to our overall development goals and other humanitarian assistance programs funded by this subcommittee. I look forward to engaging with this committee to ensure that America continues its humanitarian leadership.

As Secretary Rice recently said, it is American Realism that informs our pursuit of a just economic model of development. Despite the wealth of many, the amount of deprivation we see still remains unacceptable. Half of our fellow human beings live on less than \$2 a day. But we know what works: We know that when nations embrace free markets and free trade, govern justly and invest in their people, they create a prosperity of their own that fosters opportunities for all their citizens to participate fully in their political and economic system.

We have met, or are on course to meet, our international commitments to increase official development assistance: Since 2001, we have quadrupled our bilateral assistance to Africa and we've nearly tripled our development assistance worldwide. This unprecedented investment calls on us to focus—more than we ever have before—on setting clear goals. Managing performance. Demanding accountability. And generating results. To that end, we have submitted a robust budget while we work to both modernize and revitalize the delivery of foreign assistance.

I know that many of our colleagues in the development community and in Congress have important questions about how the management of foreign assistance is proceeding since the creation of the position of Director of Foreign Assistance. Since I carry this portfolio, as well as that of Administrator of USAID, I have devoted much time to improving this process, as I pledged to the Congress I would. Over the past 9 months, I've made significant changes in the foreign assistance budget processes based on specific suggestions from colleagues in USAID and State—particularly those in the field—and from our partner organizations and from you in Congress. This includes shifting the emphasis to the field by providing more opportunities for field proposals into the budget formulation and distribution processes. Additionally, we have started implementing a number of changes to streamline the fiscal year 2008 Operational Plan preparation and approval processes, increasing transparency and improving communication to the field. We are pleased that these changes will reduce the amount of field time required to prepare the Plan and reduce the volume of materials submitted to Washington by between 20 and 80 percent. We are also starting a new competitive procurement for the Operational Plan database—placing a premium on user-friendliness, performance and flexibility in the system.

Mr. Chairman, the robust fiscal year 2009 Foreign Operations request is fully justified and critical to the national security interests of the United States. We understand that these funds are the result of the efforts of hard working American tax-

payers. By strengthening the capacity of USAID, strengthening our collaboration with other U.S. Government agencies and our coordination with the private sector, we will manage these funds efficiently as stewards of the American people.

Thank you very much. I would be pleased to respond to questions.

Senator LEAHY. Thank you. I know, last year, the State Department created the Office of the Director of Foreign Assistance, the F-Bureau.

It's created a lot of confusion, anxiety, and opposition. Designating every country to one of five categories, and focusing assistance in what they considered to be the highest priority for that category, often didn't take adequate consideration of the mission's priorities, or what experts on the ground said was needed.

The one good thing I've heard about is Rich Green who was given the unenviable job of picking up the pieces after Ambassador Tobias. Everybody gives him high marks for the work he does.

What's the status of the F-Bureau today? Is it full steam ahead, or are you changing the procedures? What's going to happen?

Ms. FORE. Thank you, Senator Leahy. It is full steam ahead. In the Office of the Director of U.S. Foreign Assistance, I know that Rich Green is glad to hear that he's picked up the pieces. We have been working very hard to try to simplify, to streamline—

Senator LEAHY. I've probably ruined his career by praising him. Go ahead.

Ms. FORE. But we're trying very hard to simplify, to streamline, and to communicate.

Senator LEAHY. But those are words that we say about everything. You know, we're robust, we're streamlined, we're effective, but it's what actually happens that counts.

I mean, we heard it about another Department right after Katrina—we're streamlining, we're robust, we're this, we're that, and, of course, nothing happened. We've got to be able to point to things and say, "Look, this is why it's better now than it was before."

Anyway, go ahead.

Ms. FORE. All right. We've listened very hard, so those words actually mean something for us. We've moved to country-based programming, so that we are now putting more emphasis on the field. This must be field-centered. It must be that the country team in the field gathers and really talks about the development needs in the country. That they, as a team, begin each budget request.

It is also important that it's integrated with the country's plans for development. If the country doesn't have ownership in the sectors and the areas of the programs that we're working in, it will not result in sustained development. You have worked in this field long enough to know that we must facilitate long-term development. So the country team has that mandate.

Then, the budget moves to Washington, and we have Assistance Working Groups. Assistance Working Groups take the work coming out of their mother bureaus—so out of USAID, and out of State Department—and they try to gather around the table all the U.S. Government agencies that are interested in that country or sector.

It's very complex, it's difficult, but they try to make trade offs based on the opportunities that they see—for example because of democratic elections, or because of economic openings, or because

of stability after conflict—to try to focus our assistance in a way that’s better coordinated than it has been in the past.

Senator LEAHY. But you have to oversee this. You also have to oversee PEPFAR, military assistance, the MCC, and so on. Are we really talking about two jobs?

Because what I’ve worried about in the past, in both Democratic and Republican administrations, has been a lack of emphasis on putting strong administrators at the top. I mean, have we given you jobs that really should be handled by more than one person?

Ms. FORE. Well, there’s lots to do, but I think the jobs are strengthened by being together. Why I say that is something as simple—

Senator LEAHY. Both Director of Foreign Assistance and Director and Administrator of USAID?

Ms. FORE. Yes. Something that you had been speaking about, the invigoration and the growth of USAID personnel, it is difficult if you are a USAID Administrator to move that through the many avenues to get it approved.

I think this year, because it was my number one priority, and because I am doing better, it was successful.

I also think that this year we have focused on trying to simplify, and we have reduced the required paperwork from between 20 and 80 percent for the field and for the people involved in the budget process. We know we’re at the beginning of this process. It’s not in the middle, nor have we reached the end of how to realign foreign assistance, and how to organize it.

But with the new organization of the Office of the Director for Foreign Assistance and the common definitions, I think we have a good start.

Senator LEAHY. You’d mentioned Afghanistan, one of the most important programs we have in the world. I don’t know if you saw the December 2007 issue of *Atlantic Monthly*. It said it was so hard to work with USAID, it wasn’t worth it.

Another NGO supporting women in Afghanistan, describing work with USAID, said, “I’ve seen a whole lot of folks come and go. Most of them are great. Some are just putting in their time. They come and go quickly, and there’s often not an effective handoff. Every time you try to do something, is the dawn of creation all over again.” It went on to say how hard it is to find funding for \$10,000, \$15,000 projects, applying for millions to build a road, even though the area might not be secure that the road goes through, you could sure build that road, and it photographs well.

But how about these other things?

Ms. FORE. Your opening comments, Senator Leahy, about the need to be sure that we have a number of smaller implementors, is something that we are very much aware of at USAID, and we want to reach out to them.

This request for additional personnel, United States direct hires in USAID, will help, because there must be good accountability and oversight, and the ability to have many smaller partners requires additional staff.

We have many programs around the world, as you know, that are focused on smaller enterprises and encouraging women to participate. It is something of, obviously, great importance to me per-

sonally, but we are making sure that we are improving how we reach out around the world, in both our contracting mechanisms, as well as the effectiveness, what results we're achieving with the funds that we have.

Senator LEAHY. Well, speaking of the funds we have, the dollar is dropping precipitously. I think it takes about \$1.50, \$1.60 to buy a Euro. I remember when 70 cents would buy a euro.

The Canadian dollar used to cost us 70 cents, and now it actually costs more than \$1. Canada's economy is strengthened, but it's partly because ours has weakened so, and our dollar has gone way, way down.

Thus, the price of fuel goes way, way up. You're talking about these things you're doing, but with the plans we've made for the budget 6 months ago or 1 year ago, the value of the dollar, the cost of fuel the situation today is different.

Is there going to be a supplemental request to make up the difference?

Ms. FORE. Well, at the moment we are struggling with the challenge of the lower buying power of the dollar in almost every aspect. It affects our operations, it affects our ability to buy food, it affects most of our partners around the world. It certainly affects partners that have offices in Europe.

We are constantly analyzing the budgets, and discussing what can be done, trying to utilize all of our funds, as effectively as possible.

Senator LEAHY. But you don't know whether there's going to be a supplemental request for that.

Ms. FORE. I do not know.

Senator LEAHY. Thank you. Senator Bennett.

Senator BENNETT. Thank you, Mr. Chairman. Can we talk about the microenterprise number? Give me some insight as to why it was cut in half?

Ms. FORE. Yes. The amount that we currently have, the \$104 million, is just a beginning since it represents programs whose primary focus is microenterprise. As you know, funds for microenterprise programs come from a number of other crosscutting programs, from missions and from programs around the world. I would anticipate that for fiscal year 2009, that number will end up much higher than where it is now.

Microenterprise has been a real strength for USAID for many years. As you correctly mentioned, microenterprise has set a number of best practices for the industry. What we also have is a whole new burgeoning industry. I was just at a web-based outreach fair that was a part of what we're calling the Global Development Commons, in which the microenterprise industry has web-based leaders, community leaders, so that communities build up around microenterprise best practices. Lots of private companies are now strongly in the microenterprise sector.

When, Senator Leahy, you and I, were together at the World Economic Forum, one of the things that we heard from a number of banks around the world is microenterprise and how important it is. But what they were also saying is that, for them, microenterprise is a for-profit activity. They would like us to think about what they call "the missing middle." So there's microenterprise and then

there's entrepreneurs that are the next stage up, and then, of course, the big multinationals.

But they are finding that they would like us to blend into that middle category to try to encourage entrepreneurship, whether it's in Liberia or anywhere around the world. So we will try to view this holistically as economic growth to encourage entrepreneurship. It does encourage the empowerment of women and small enterprises, whether in the agricultural sector, or any other sector, because it is how people build their own family wealth and stability, but it also sets a stable, middle class in countries.

Senator BENNETT. Okay. I'm with you and I support that but let's not begin to cannibalize some of the people at the bottom.

The other thing that I have found over the years—and clearly, you don't fall into this category—but there has been resistance on the part of some in the State Department, simply because they don't get to control the money. That's one of the reasons why it works, because it goes into the hands of people who will use it creatively.

It is a for-profit operation, even at the very lowest level, because the repayment level is so high. I'm not telling you anything you don't know. The repayment level is so high, the default percentage is so small, and lots of people get in it for a variety of humanitarian reasons, but it's also very good business all the way around. So just to reinforce that.

Can we talk about corruption? Do you deal with that? We've seen all of the fuss that's gone on in the World Bank, with the retirement by Mr. Wolfowitz, and his replacement by Mr. Zoellick, a lot of conversation down there. I'm not close enough to be able to say absolutely no action, but at least that's been part of the press's report that the World Bank has spent a lot of time talking about corruption in these countries, and then business as usual. It has overwhelmed Bob Zoellick as he's trying to carry on in that effort.

What role does USAID play in this fight? I believe that corrupt governments constitute the number one obstacle to getting people out of poverty and making foreign aid—whether it's ours or any other country's—work intelligently for the people. That as long as you have a corrupt government, no amount of money you can put in can change the conditions in the country.

What leverage do you have? What information do you have? What background can you share with us?

Ms. FORE. Thank you, Senator Bennett. It's a very difficult area, and it is one that is on everyone's mind as they are in the field. But also, in Washington, as we are trying to look for best practices and what levers we can use through the political, economic, and societal means.

Most of our activities for anti-corruption fall within our governing justly and democratically, categories in the budget. In all the programs they try to target areas that are most important. So whether it is at the local government level, or whether it is at a customs office, or whether it is at a business licensing facility, or whether it is in the national government—we try to help civil society organizations that can act as watchdogs. We strengthen journalists and the media, so that there is transparency and an ability to view the financial operations of a government.

We also try to encourage and help with good financial systems. For many countries, a government's capacity, the ability to have a clear financial system, or a clear budgeting system, is very weak. If we can strengthen that, it encourages transparency, and through our training programs, bringing visitors both here, as well as training in the country, they learn how to look for and how to put in internal controls and external controls, so that money is indeed watched.

Senator BENNETT. Let me share with you an experience I had with a Finance Minister.

I said to him, "All right, what do you need?" He said, "I need competent people." He said, "I preside over a Finance Ministry with tens of thousands of employees. I could fire every one of them, if I had 15 people I could trust." This was a man who was trained in the United States, got a Ph.D. in economics from one of our finest universities.

He said, "I can't get USAID to give me any scholarship money. They tell me, 'Well, if we gave you scholarship money, you'd just pick your nephew and your son-in-law, and all of the rest of them, and send them to the United States on a free educational junket that the U.S. taxpayer would pay for.'"

In other words, it would all be kept in the family. We saw a lot of that in the Olympics Movement. We, in Salt Lake City, got blamed for the corruption that was in the International Olympic Movement. We didn't start it, but we ended it.

So this Finance Minister said, "All right. You pick them. The USAID officials go out in my country and pick the brightest, most ambitious, most attractive people, train them in the United States in basic economics and business procedures, and then send them back to me. They won't do it. They'll put money into a bridge. They'll put money into a warehouse. They'll build some kind of monument."

He said, "I could fire all of these people in my ministry." He couldn't, because that's part of the employment of that particular country. They keep their employment up by keeping huge amounts of people working on the government payroll. But he said, "If I had 15 people that I could trust, who were properly trained, I could make a true difference in the way things work here. I can't train them in this country. They've got to come to the United States. USAID would get far greater return on its investment if they were to—they pick the very best and brightest among our young people, and take them to the United States, with the full understanding that by virtue of their having their education paid for by the U.S. Government, they're going to come back, they're going to be employees of the Finance Ministry of this country, and we can start to get something done."

Have you ever had any conversations like that?

Ms. FORE. Well, I haven't had the conversation where USAID hasn't said, "Yes, we'll do it."

So we can talk about this particular Finance Minister and country, but USAID does exactly these kinds of programs all over the world. I think they are enormously important. We try to use it, because building human capacity and human capital is one of the most important things that we can do.

One of the areas that we've been talking about in the Global Development Commons is how to exchange best practices around the world. So that if you are Finance Minister, or someone working within the Ministry, you pick up good ideas about the work that you have before you, at the time you need it, rather than waiting for training.

So I think that part of this education must be on the web. Part of it should be in person, where they come to America, or to another country, where we can teach a variety of skills. But it is very important, Senator Bennett.

Senator BENNETT. I'll share the name with you privately then.

Ms. FORE. Yes. Good, thank you.

Senator BENNETT. Thank you. Thank you, Mr. Chairman. I would like to talk to you about India.

Senator LEAHY. Go ahead.

Senator BENNETT. We assume that since India is prospering, India doesn't need any foreign aid anymore. There are some programs that, frankly, the Indian Government isn't qualified to handle, and USAID is.

I have heard, from people who are in the Embassy over there, that we've made a really dumb mistake in our long-term relations with India to say, "Okay. You're now financially capable of doing this yourselves, and so we're going to withdraw any aid from India."

India is going to be an extremely important country in our future, and maybe it's not spot-on for what USAID's mission is, but in terms of our geopolitical relationship with India, a few dollars spent now to keep some of those programs alive would pay huge geopolitical dividends later on.

You don't have to comment, but I want to put that bug in your ear, as they say.

Ms. FORE. Yes. Very good, Senator Bennett. We are transitioning in India, to more public/private partnerships, because we think there is an enormous capacity, in both the United States, as well as in Indian business, that could pair up with us in a number of sectors.

Senator LEAHY. One program that has worked, according to your folks and the Iraqis that have participated in it, is the Community Action Program. I don't want to get too bogged down on Iraq, no pun intended, because we've wasted more money there than your entire fiscal year 2009 budget. But the Community Action Program that supports local initiatives to rebuild has been very successful.

You don't have anything in the fiscal year 2008 supplemental or the fiscal year 2009 request for this program. If it's that successful—I mean, is it so successful that we don't need it?

Ms. FORE. We have a number of programs for which we are requesting funds, and we have a number that we are sharing with other agencies. So some of these programs, we are funding from different streams. So perhaps, Senator Leahy, I could come back to you with the funding—

Senator LEAHY. Would you, please?

Ms. FORE [continuing]. Sources for it. Yes.

[The information follows:]



## USAID BUDGET

The Community Action Program (CAP) is a well established Iraq-wide program that has been successful in mobilizing citizens at the local level through the civil society process to make a difference in Iraqi communities. CAP II will end in September 2008 and USAID is reviewing options for a follow on program. It is currently funded from IRRF II with \$22.4 million obligated and ESF with \$145 million. A congressional notification has been submitted for a reobligation of IRRF II funds in the amount of \$20 million.

Senator LEAHY. I would like to know if there are other donors picking that up and who that would be.

Last year, we appropriated \$446 million for child survival and maternal health programs, about \$90 million above the President's request, because every expert we heard from told us how important that is. You measure how well a health system is doing in a country by how many children die before the age of five, how many women died needlessly of pregnancy-related causes.

The administration has done a lot to increase funding for AIDS and TB and so on, but you propose to cut funding for child survival and maternal health in fiscal year 2009. Has the need gone away?

Ms. FORE. The need is still there, and the United States is still the largest bilateral donor in these areas. Our fiscal year 2009 request is about at the same level as our fiscal year 2008 request.

It shows a strong priority, but it also shows that, with reduced resources and stretched resources, that we need to be more broad-based in our health programs. We continue to do very fine work in all of these areas. They have probably been the single most important long-term effort for the United States Government.

Senator LEAHY. But it will be a cut below what we had last year?

Ms. FORE. If we—

Senator LEAHY. No, actually—

Ms. FORE. Yes, from the enacted level. But from the requested level, it's about even.

Senator LEAHY. We appropriated \$456 million for family planning and reproductive health, which we were told is very helpful. Actually, it's about the same that we appropriated in 1995. You propose to cut it by \$156 million, down to \$300. That makes sense?

Ms. FORE. Well, we continue to have a very strong priority in this. It is still very important to us that there is United States leadership. We remain the largest donor. In all of these areas, maternal and child—

Senator LEAHY. The largest donor in dollar amounts, but there are many countries that give more as a percentage of their GDP. Do we not?

Ms. FORE. Correct.

Senator LEAHY. But you feel the cut is justified?

Ms. FORE. We would wish to have money for everything, but in a time of constrained resources, we wanted to be sure that there was broad-based approach to health. So we have a number of excellent health programs, whether they're PEPFAR, the neglected tropical diseases, and others, across the health sector.

So areas where we have great successes and we have done well, we tried to stretch the dollars as far as we can.

Senator LEAHY. This is one that has been successful?

Ms. FORE. Sometimes it's especially because they've been successful. If they've been very successful, then it is time that public/

private partnerships can help pick it up, and local governments can help pick it up, and other donors can help pick it up. So we try—

Senator LEAHY. Well, let's—

Ms. FORE [continuing]. To share those best practices with others.

Senator LEAHY. Well, let's talk about some of these places. You've—between the Child Survival and Health program and the Economic Support Fund, you're requesting \$470 million for Pakistan.

Now, we've given them billions of dollars over the past 2 years. Has that money been spent wisely? Or is it—in a country where corruption is so endemic and accountability seems almost nonexistent—are we spending money just to buttress political statements we've made?

Ms. FORE. Well, in Pakistan, in the health sector, the TB case detection rate has improved significantly, from 25 percent in 2004 to 50 percent in 2006. Treatment success rates for these patients is 83 percent, very close to the 85 percent target.

Senator LEAHY. Not my question. Are you convinced that none of that money has or—

Ms. FORE. We have in place a number of programs to try to be sure that we are monitoring every single dollar, so that we are sure that the American dollars are going for areas that are most productive, that are well spent, that are getting the results that we expect.

Senator LEAHY. So is that money—

Ms. FORE. We've had several audits.

Senator LEAHY. Yes. Has that money been well spent and productive in Pakistan?

Ms. FORE. The audits show it's been carefully spent, and the results show that we have some very good, strong results in democracy, in health, in education, and in economic growth.

Senator LEAHY. If this were your money, personally, would you feel confident in that it's going to Pakistan?

Ms. FORE. I think of all of it as being my money, personally.

Senator LEAHY. Well, that's not my question.

Ms. FORE. Well, I think that Pakistan is such a strong and important ally for us, an ally in many areas—the global war on terror—but also, it's an ally in many areas in which we have shared interests.

Foreign assistance works in many ways, both short term and long term, and sometimes our investments are rewarded by immediate results, and sometimes they take a long time.

So I think we are doing a good job in investing the money, and for some of the results, we will not see them immediately. But when you see some of what we've accomplished in education, or in economic growth, or in governance, it's remarkable. Americans should feel very proud of their assistance.

Senator LEAHY. Indonesia—the largest Muslim country in the world—faces huge challenges. I've heard from so many administration officials and the President speak of the importance of Indonesia. You're suggesting cutting our assistance to them. Does that make sense?

Ms. FORE. Well, Indo—

Senator LEAHY. Or has the assistance that we've given them been so successful we don't need it?

Ms. FORE. Indonesia is what we consider a key country. It is important for us in regional security. It's important to us in democracy and economic growth. You know that we've been helping on the reconstruction in Aceh. It is an MCC threshold country.

Fiscal year 2009 budget is \$186 million. There are long-term programs. Indonesia is just a very, very key country for us.

Senator LEAHY. We have spent \$74 million to support programs related to Cuba since 1996. For fiscal year 2008, the President requested, and we appropriated \$45 million—that's a 500 percent increase over the previous year.

In November 2006, a GAO study concluded that poor oversight of the Cuba Program did not provide adequate assurance that funds were properly used. They said administrative costs on the part of grantees were high. Shipping costs to get goods into Cuba were very high.

According to the GAO study, there are instances in which cashmere sweaters, Godiva chocolates, Nintendo Game Boys, and Sony PlayStations were among the items purchased with U.S. Government funds to be shipped to dissidents in Cuba.

How much of this money has been spent on programs in Cuba for dissidents and others? How much has been given to people here, right here in the United States?

Ms. FORE. I do not have an answer for that one. In our fiscal year 2009 budget, we have requested \$20 million. It's the number suggested by CAFCH, and it encourages democratic freedom and our support for the people of Cuba.

Senator LEAHY. Well, yes. That's easy to say, but you've got this GAO study. Have you responded to it?

Ms. FORE. We believe that we've taken care of all of the outstanding issues and remedied them.

Senator LEAHY. Could we have a copy of that response?

Ms. FORE. Yes, of course.

Senator LEAHY. Thank you. Senator Bennett. I have other questions that will be for the record.

The President took a great deal of credit for a number of the programs that we've supported in Africa and elsewhere on his latest trip. But the money you talked about was not the money he'd requested. We actually put more money in for a number of these programs.

When I asked the President about how it's great to take credit for it, but he's put in less money than what he needs, and then we have to find the money by robbing Peter to pay Paul to do it—he said, "Well, I know how appropriations work. You always find the money." I said, "No. I disagree with you."

If you're repairing roads and bridges in this country, sure. Everybody's going to say, "Wait a minute, my State needs to replace that bridge or that road. It's dangerous. Besides which, it's going to look good back home if we can." You're going to want to increase it.

I said to the President, "How many of us do you think are—at a time we are going into a recession—how many of us do you think

have constituents pounding on our doors saying, ‘Please give more money for foreign aid?’”

I don’t have too many people back home saying, “Please give more money for foreign aid.”

I think it’s worthwhile if it’s well spent. But I also worry when I see something like this Cuba GAO report that it’s not being. I think, years ago, of a country where we spent hundreds of millions of dollars to build housing. They showed me one half-finished, one-room apartment. The Administrator of the program did come up in a very expensive car, certainly a lot more expensive than I own.

We provide \$10 million to U.S. nongovernmental organizations for environment and rule of law programs in China. Additional funds are provided for democracy programs under the Democracy Fund account.

When you watch what’s happening in China, I would like a significant portion of that \$10 million used for environmental programs, and in a manner that encourages matching private funds and U.S./Chinese partnerships.

Can you work with us to do that?

Ms. FORE. Yes. Well, Senator Leahy, I know how important foreign assistance is around the world. I know how much good it does. I know that it is a good investment for all of us, and I thank you for your leadership and support of it.

As an American, I am really honored and proud when I see our programs around the world. So we will endeavor to do our best to work with all of you to create the finest programs on behalf of the American people.

Senator LEAHY. Well, look at this China one, too. It’s just one of many. But as Senator Bennett pointed out, it’s often not the big—the grandiose Aswan Dam projects, but it might be a lot of micro-enterprise loans and maybe a whole lot of smaller educational or health programs.

I was glad to hear you mention the Marla Ruzicka Fund. That’s one I wrote. I’m glad to hear it is working. I know a few of you knew Marla Ruzicka. An impressive young woman who died much too soon. Thank you very much.

Ms. FORE. Thank you, Senator Leahy.

#### STATEMENT SUBMITTED BY SENATOR CHRISTOPHER S. BOND

Senator LEAHY. We have received the prepared statement of Senator Christopher S. Bond that will be made part of the record at this time.

[The statement follows:]

#### PREPARED STATEMENT OF SENATOR CHRISTOPHER S. BOND

##### REBUILDING THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

As I have said many times, 80 percent of the current war on radical Islam and terrorism must employ our Nation’s smart power, or non-kinetic forces. By putting more sandals and sneakers on the ground, we lessen the likelihood of having to put boots on the ground. The pointy end of this smart power spear, in the past, has been USAID’s Foreign Service. They have been deployed abroad, overwhelmingly in the world’s poorer countries, and increasingly, in some of the same places our folks in uniform find themselves, working closely together. Today, USAID’s Foreign Service amounts to about 1,100 Officers, mostly deployed—spread very thin—among the more than 80 Missions USAID staffs. At the same time, USAID’s program manage-

ment responsibilities have grown, particularly since 9/11, having reached a low point in the mid to late 1990s.

USAID and its mission are about 60 years old, and over that period they have been an important instrument of U.S. foreign policy and national interest, and the principal means by which the U.S. Government extends America's humanitarian assistance to the world. This small agency and its mission may well be even more important in today's world than they have been in the past. Yet their capacity to deliver has shrunk dramatically from times past and now must rely largely on contractors that lack the necessary expertise and experience to conduct sustainable development. Perhaps we started to take a holiday from history after the end of the cold war, or perhaps it started even earlier, in the wake of our withdrawal from Vietnam. Whenever it began, however, the result is today a serious problem for U.S. Foreign policy.

In short, the size of the Foreign Service Officer workforce has not kept pace with the significant increase in USAID program management responsibilities. Between 1995 and 2007, funding for USAID-managed programs increased by 40 percent while FSO staffing decreased by 24 percent, for example. This combination of increased program funding and decreased staff levels has eroded the agency's core leadership and technical capabilities.

Today, I am told, some 45 percent of all of USAID's Foreign Service Officers are eligible to retire as is some 71 percent of the Senior Foreign Service. To make the problem worse, as we have fewer and fewer Foreign Service Officers to administer USAID's programs, they turn of necessity to more and more contracts and grants, so that the face of USAID abroad is increasingly their contractors and grantees. Many do good work, but there are some important things that private citizens can't do that direct hires of Uncle Sam can, like dealing officially and directly with the host governments, for example. It also leads to a vicious circle—as USAID has turned increasingly to contracts and grants to implement its mission, its hiring priorities have increasingly focused on more contract and grant management officers, at the expense of specialties and professions that once typified USAID's field presence.

The administration is proposing to begin the rebuilding of USAID, focusing first on its Foreign Service, by beginning to hire above attrition for the first time in many years—300 Foreign Service Officers above attrition in fiscal year 2009—toward a goal of roughly doubling USAID's Foreign Service over the next several years. I know that this is beyond the horizon of the current administration, but I am very impressed by the broad consensus that seems to be emerging in the Congress, in both Houses and across Party lines on the importance of this initiative, and I urge my colleagues on the Committee to give it their full support.

#### ADDITIONAL COMMITTEE QUESTIONS

Senator LEAHY. There will be some additional questions which will be submitted for your response in the record.

[The following questions were not asked at the hearing, but were submitted to the agency for response subsequent to the hearing:]

#### QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

##### ADMINISTRATOR FORE'S PRIORITIES

*Question.* We are all mindful that this is an election year and time is short. What do you see as the two or three most pressing challenges facing USAID—in the way USAID is structured, managed or the programs it administers, what do you plan to do about them, and do you have the necessary legal authorities and the resources to do it?

*Answer.* Revitalizing and reinvesting in critically-important USAID capacity to carry out our core development and humanitarian assistance mission is my top priority. We need more USAID talent in the field, in more countries, to help build the capacity of people and institutions—and engage more broadly with development partners. In addition, to anticipate the societal losses and setbacks that occur when conflict disrupts our partner nations, USAID, and the State Department, must have similar capacity to “surge” as other parts of the U.S. Government, so that together, we can place enough of our conflict prevention and reconstruction assets in the right places at the right times.

The President's fiscal year 2009 budget request includes Operating Expense funds to enable USAID to hire 300 Foreign Service Officers (FSOs) in addition to those hired to replace FSOs lost through attrition—the Development Leadership Initia-

tive—and \$36 million for information technology systems development in the Capital Investment Fund. If appropriated, these resources will strengthen our good stewardship of taxpayer dollars, begin to restore the technical expertise USAID has been famous for, and provide 21st century tools to enable our people to work more efficiently. The fiscal year 2009 budget also requests funds for significant investments in post-conflict capacity.

I feel deeply that USAID must re-establish intellectual leadership in the development community and am moving rapidly to strengthen the agency's capacity in this regard. We have reinstituted an agency policy coordination process and are hiring well-qualified staff to work with me and the senior leadership team to lead policy development. One of the first fruits of this new process is a new Economic Growth strategy that I expect to make public shortly.

USAID has long emphasized evaluation for accountability and, more important, as a source of development learning. The recent lack of a coordinated evaluation plan hampers our ability to identify common issues and best practices across the portfolio. Therefore, I am reinstituting a central evaluation function that will be an independent voice to assess the effectiveness of USAID's programs. The new Evaluation Unit will focus on: (1) establishing a core Agency evaluation expertise; (2) developing and implementing an annual evaluation agenda; (3) managing evaluation support services used by Missions; and (4) strengthening evaluation policy and training agency-wide.

Last but not least, USAID needs to extend our reach to private sector partners and NGOs who are eager to combine their own expertise and resources with ours to overcome development challenges, and to the American people, so that they understand the vital role of development in national security and the impact their tax dollars are having on the lives of people around the globe.

#### DEVELOPMENT LEADERSHIP INITIATIVE

*Question.* You have talked about your Development Leadership Initiative to begin rebuilding USAID's professional staff. Assuming we give you the funds you have asked for, what tangible differences will this make in the way USAID does business—if I were an NGO or contractor, or a beneficiary of USAID assistance in a foreign country, how will it change things for me?

*Answer.* The Development Leadership Initiative will enable USAID to engage more directly with more partners on the ground and devote more attention to strengthening institutional capacity in the countries in which we work. Currently, the severe shortage of qualified procurement, financial management and technical personnel, in the field and in Washington, restricts USAID's ability to build productive relationships with a wider range of host country counterparts, significantly expand the innovative Global Development Alliances model and other types of public-private partnerships and manage a substantially larger number of contracts and grants, particularly with local non-governmental organizations NGOs.

With a significant new cadre of procurement, financial management, program and technical officers, USAID staff will be able to spend more time working directly with beneficiary organizations such as local NGOs to strengthen their governance structures and financial management systems, better preparing them to continue their work once USAID's assistance ends.

#### INTERNATIONAL DISASTER ASSISTANCE

*Question.* In fiscal year 2008, including the supplemental, we appropriated \$429 million for International Disaster Assistance. That was more than the President asked for but 25 percent less than the fiscal year 2007 budget. This leaves a shortfall of about \$175 million from the level that the Office of Foreign Disaster Assistance expects to need in 2008, yet the President has not asked for any additional funding. OFDA says it is already preparing to cut back programs by 25 percent.

This means the United States will provide less emergency shelters for disaster victims during the rest of this year, impacting hundreds of thousands of people. It means less potable water to reduce the risk of disease in IDP camps. It is estimated that over 600,000 vulnerable people in Darfur will be cut off from basic health immunizations and education. In Kenya, half a million people who would have received seeds and tools to restart their agricultural livelihoods in areas affected by the recent conflict will have no support.

Are you aware of this? Does the administration plan to request any additional funding for these crucial programs in fiscal year 2008? What do you suggest we do about it?

*Answer.* Yes, we are very much aware of the dynamic, changing, and critical humanitarian situations. We maintain close contact with our staff and partners on the

ground and their constant feedback helps us to make the necessary budgetary adjustments to ensure that the most critical humanitarian programs remain operational and the needs are met. We understand the humanitarian assistance budget situation for fiscal year 2008. Additional resources for our fiscal year 2008 humanitarian programs were not requested; we will do what we can with our existing resources.

#### CHILD SURVIVAL AND MATERNAL HEALTH

*Question.* Last year, we appropriated \$446 million for child survival and maternal health programs. This was about a \$90 million increase above the President's request because every global health expert has advised us that effective public health systems begins with children and pregnant women. You can measure the effectiveness of a country's health system by whether children do not die needlessly before the age of 5, and women do not die needlessly of pregnancy related causes.

While this administration has done a lot to increase funding for AIDS, TB, and malaria, you propose to cut funding for child survival and maternal health in fiscal year 2009 below the fiscal year 2008 enacted level. Why does this make sense?

Last year, we appropriated \$456 million for family planning and reproductive health which, again, public health experts tell us is one of the essential building blocks of a functioning health system. That is about the same amount we appropriated in 1995, yet you propose to cut it to \$301 million.

Why does this make sense, when we know that there are women in many poor countries that need contraceptives and cannot get them, and we know that unplanned births only compound the difficulties of families that are already barely able to earn enough income to survive?

*Answer.* The fiscal year 2009 request for Maternal and Child Health activities reflects the constrained budget environment and competing priorities for HIV/AIDS and Malaria. The United States Government (USG) programs in HIV/AIDS and Malaria also benefit maternal and child health. The USG is a major donor in the field and will continue its technical leadership. The fiscal year 2009 aggregate request for Maternal and Child Health is the highest funded element in the USAID health portfolio.

Our activities in child survival and maternal health are increasingly focused on the countries with the greatest need and with the greatest opportunity to improve outcomes for mothers and children. Africa continues to receive more maternal and child health funding than other regions, with 33 percent of CSH maternal and child health funds in the fiscal year 2009 request.

The fiscal year 2009 aggregate request of \$327 million for family planning and reproductive health includes \$301 million in Child Survival and Health Programs Funds (CSH). The request is less than the appropriated levels in recent years due to the constrained budget environment and competing priorities. The USG remains the largest bilateral donor for family planning and reproductive health, even at the fiscal year 2009 request level.

#### TRANSITION INITIATIVES

*Question.* The Office of Transition Initiatives (OTI) provides quick recovery and reconstruction assistance for countries emerging from conflict. By all accounts it has done a good job with a small budget, often under very difficult conditions. Yet you propose to cut its budget from the \$44 million we appropriated in fiscal year 2008 to \$40 million in fiscal year 2009. How do you explain this when the President is asking for \$248 million for the new Civilian Stabilization Initiative, which has the same mission of helping countries stabilize and transition from war to peace?

What role do you see USAID playing in the Civilian Stabilization Initiative?

How do you see OTI and the Civilian Stabilization Initiative coordinating their activities and cooperating on the ground?

*Answer.* USAID will play a key role in the Civilian Stabilization Initiative (CSI) by providing a significant portion of stand-by personnel to respond to major reconstruction and stabilization needs. USAID experts in areas ranging from Rule of Law to Micro-enterprise to Parliamentary Process to Human Rights Protection will be made available to participate in a CSI action in order to help bring stabilization and recovery to a nation that has undergone a recent major upheaval.

The Office of Transition Initiatives (OTI) has consistently engaged with U.S. Department of State, Office of the Coordinator for Reconstruction and Stabilization (S/CRS) since its creation and will continue to with new proposed formats such as the Civilian Stabilization Initiative. It is envisioned that OTI and other related actors will participate as part of the Civilian Stabilization Initiative response teams. In countries where OTI is already deployed, OTI field teams will coordinate with and

be a part of advance civilian teams in the same manner that OTI has provided assistance to other urgent priorities. CSI activities are expected to engage OTI staff in front-lines programmatic responses, just as OTI staff have joined larger U.S. Government efforts in recent priority responses, including the Tsunami Relief in Sri Lanka and India, the earthquake response in Pakistan, and flood relief activities in Bolivia.

#### MILLENNIUM CHALLENGE CORPORATION

*Question.* This year, like last year, and the year before that, the President is requesting billions of dollars for the Millennium Challenge Corporation at the same time that he wants to cut other programs—for basic education, the environment, child survival and maternal health, to name a few. Isn't this the classic case of robbing Peter to pay Paul, after we were assured that the MCC would be additional money, and that USAID is paying the price?

*Answer.* The steady increase in the President's requested levels for the traditional assistance accounts since 2002 demonstrates conclusively that Millennium Challenge Account (MCA) has been additive.

The President's request in fiscal year 2009 for the three largest "traditional" assistance accounts—Child Survival and Health, Development Assistance and Economic Support Fund—has risen from approximately \$4.6 billion in fiscal year 2002—before Millennium Challenge Corporation's (MCC) establishment—to \$6.4 billion in fiscal year 2009, an increase of nearly 40 percent. Adding the fiscal year 2009 request for \$2.2 billion for the MCC represents an increase of 87 percent in fiscal year 2009 over fiscal year 2002, a strong indicator of the President's commitment to foreign assistance.

In a world of limited resources, individual country programs increased and decreased before MCA existed, and will continue to increase and decrease with MCA on the scene. What the existence of MCC requires of us is better integration, and that takes place on a country by country basis with considerations of needs, sectors, and timing.

MCC's mission is poverty reduction through economic growth and is one of many important tools the U.S. Government has to accomplish its foreign assistance goals. MCC Compacts are targeted to countries that perform better than their peers on independent policy criteria and are designed by partner countries to address their constraints to economic growth—often infrastructure and rural development. MCC cannot do this alone. Before Compacts begin, and while they are being developed and implemented, USAID will need to continue to use its resources to improve the overall political, economic and social environment necessary for the success of MCC's larger investments. The synergies between MCC and USAID programs to achieve maximum development impact are recognized by both agencies.

This means that USAID must continue to address critical reforms in the broader "enabling environment" needed to expand political and economic freedom, and foster local private sector growth. These elements are essential for the large MCC investment to have maximum impact and for the U.S. Government to achieve its broader transformational goals. A vibrant local private sector is key to reducing countries' reliance on foreign assistance and is the ultimate exit strategy; MCC and USAID working in tandem can accelerate that timeframe. In many MCC countries, particularly the poorest, USAID may need to continue its work after the completion of an MCC Compact whether the country remains eligible for additional MCC compacts or not.

These realities are reflected in the process of determining country assistance programming. The goal of U.S. Government assistance efforts is to have the most effective possible mix of programs given each country's unique circumstances. Annual changes in requested assistance flows from the Economic Support Fund, Development Assistance and Child Survival and Health accounts to individual countries reflect a range of complex country specific factors, only one of which is projected MCC disbursements.

#### CHINA

*Question.* The fiscal year 2008 State and Foreign Operations Act provides \$10 million through U.S. educational and nongovernmental organizations for environment, democracy and rule of law programs in China. Additional funds are provided for democracy programs under the Democracy Fund account. We want a significant portion of the \$10 million to be used for environment programs, and I would hope it will be done in a manner that encourages matching private funds and U.S.-Chinese partnerships.



As you determine how to use these funds, I would appreciate it if you would consult with us first.

Answer. Thank you for providing the opportunity to consult with the Appropriations Committee about USAID's programming of congressionally-provided funds in China. USAID's ongoing environment programs in China link counterpart United States and Chinese universities to collaborate on environmental activities while encouraging matching funding from the private sector. Of the \$10 million Development Assistance (DA) earmark, USAID plans to allocate approximately \$5 million to environment activities in China in fiscal year 2008 that address clean energy and climate change, natural resources and biodiversity, and environmental governance.

In the area of clean energy and climate change, USAID will support continued work to promote good governance practices in connection with strengthening regulatory standards for cleaner coal and energy efficient lighting (China is the world's largest consumer and manufacturer of each, respectively), and improving access to financing for clean technologies. We will establish public-private alliances and stronger U.S.-China partnerships in these areas.

USAID will increase activities in China with two critical regional biodiversity programs addressing trade—illegal trade in wildlife and endangered species and trade in illegal forest products. As China is among the world's largest consumers in the illegal trade of wildlife and forest products, new USAID activities will strengthen China's ability to improve inspection, certification, and enforcement practices that help stem the flow of these illegal products into China from its Asian neighbors.

In addition, USAID plans to allocate another \$700,000 in Economic Support Funds (ESF) from the \$5 million Tibet earmark to improve environmental conservation and natural resource management through increased adoption of practices that support sustainable rangeland management, livestock development techniques, and wildlife conservation in Tibetan areas.

USAID also funds the China Environmental Health Project, which supports partnerships between Western Kentucky University, Southwest University of China and Anhui University of Science and Technology. The project will develop new practices for addressing water quality protection and mitigating pollution from coal combustion in southwest China, and it will analyze the relationship between pollution and public health.

Similarly, the University Partnership for Environmental Law in China pairs Vermont Law School with Sun Yat-sen University in Guangdong Province in a 3-year training and technical assistance program to promote the establishment of environmental law clinics. Its public outreach heightens public awareness of environmental issues and increases accessibility to information regarding the environment in China. These partnerships bring to bear on these pressing issues, the capacities, institutional strengths and financial investments of all the partner universities. Further, as the USAID Administrator, I have directed the agency to seek means to triple USAID's public-private sector investments, and USAID has a person dedicated to do just that in the southeast Asia region, including China.

#### MÉRIDA INITIATIVE

*Question.* The President wants to spend \$1.4 billion in Mexico and Central America over 3 years to combat drug trafficking. Most of the funds are for the army and law enforcement programs. We all want to help Mexico and other countries facing enormous challenges from drugs and organized crime, but I believe this Initiative all but ignores important aspects of the problem, particularly poverty and a dysfunctional judicial system. Was USAID consulted in advance about this Initiative, and if so, what did you recommend?

Answer. USAID participated in the entire planning process of the Mérida Initiative and is fully supportive of the resulting proposal. USAID will continue to be actively involved at each step of implementation should Congress fund this Initiative.

Interagency cooperation within each country and a high level of cooperation between the Governments of the United States and Mexico have been essential to developing the Mérida Initiative. During this process, representatives of USAID, the Departments of State, Justice, Homeland Security, Defense, and Treasury have participated in crafting the proposed partnership with the Governments of Mexico and Central America. We anticipate maintaining the same type of close cooperation within and between governments during the implementation phase of the Mérida Initiative.

#### *Background*

The administration has proposed the Mérida Initiative as a 3-year program and has sought funds in the fiscal year 2008 supplemental bill, and the fiscal year 2009

budget. The proposed \$1.4 billion was for Mexico, with a total amount for Central America still to be determined.

While combating drug trafficking is a critical element of the package, the Mérida Initiative is much more broadly focused. Through the Mérida Initiative, the United States seeks to assist in strengthening our partners' capacities in the three broad areas of (1) counter-narcotics, counterterrorism, and border security; (2) public security and law enforcement; and (3) institution-building and rule of law.

For Mexico, in the proposed fiscal year 2008 supplemental bill, the funds destined for the military are less than 40 percent of our total fiscal year 2008 supplemental request, with the remainder going to help civilian institutions. That percentage drops in the fiscal year 2009 proposal, with only 22 percent allotted for the military and the remainder for civilian institutions. Over \$130 million for these 2 years would go to programs specifically focused on judicial institution-building and the rule of law in Mexico.

With regard to the judicial system, it is important to note that the Mexican legislature has just passed comprehensive judicial reform in an effort to modernize and improve the Mexican justice system. While the proposal to amend the Mexican constitution must still be adopted by a majority of Mexican states, the legislation does establish a presumption of innocence for defendants, facilitates transition to an accusatorial system, and includes several reforms aimed at improving policing and investigative authority.

The elements of the Mérida Initiative directed to support Mexican judicial reform will help Mexico improve its economic climate. The establishment and implementation of a fair, predictable and flexible set of legal rules is vital to the processes of business formation, the establishment of capital markets, the ownership and transfer of real and intellectual property rights, the protection of contract rights, and other key elements that underpin economic development.

As a member of NAFTA and our third largest trading partner, Mexico is the world's 14th largest economy. Yet, at the same time, 40 million Mexicans live at or below the poverty level. At \$7,870, Mexico ranks 73d in the world in terms of Gross National Income per capita, compared to the United States' \$44,970.

The greatest impact of the United States on the Mexican economy is our expanding trade relationship. Mexico is the United States' third largest trading partner; we traded over \$1 billion per day in goods and services with Mexico in 2007. Mexican exporters pay their workers 37 percent more than companies that do not export.

#### BIODIVERSITY PROTECTION

*Question.* For fiscal year 2008, we appropriated \$195 million for biodiversity programs. This includes funding to protect forests, watersheds and endangered species in the Amazon, central Africa, Indonesia, and elsewhere. Unfortunately, this falls far short of what we should be doing to protect these threatened areas. How much are you proposing for these activities in fiscal year 2009?

*Answer.* Preserving biological diversity is critical to sustainable, long-term social and economic development, and is an important issue in its own right. There is a serious problem in countries around the world where habitat and species are disappearing at an alarming rate, and this is especially problematic in developing countries where many of the poorest people's livelihoods are often directly dependent on forests, fisheries and wildlife.

The United States and our developing country partners address this issue in a holistic manner. Conflict, poverty, and the lack of better and more sustainable employment opportunities drive desperate people to put tremendous pressure on the ecosystems on which endangered animal and plant species rely. Weak political legitimacy, accountability, and governance constrains efforts to enforce conservation measures and suppress criminal activity.

Recognizing the depth and complexity of the problem, the United States integrates its biodiversity conservation programs into a broad range of long-term development efforts designed to help countries achieve peace and security, govern justly and democratically, realize economic and social growth, invest in their people, maintain public health, and provide humanitarian assistance.

Our request level for fiscal year 2009 is \$115 million from the Development Assistance (DA) account plus \$10 million from other accounts—totaling \$125 million directed to 32 regional and country programs. These requests are based on specific needs and priorities identified by our embassies and field missions, taking into account competing priorities and the availability of funds.

## QUESTIONS SUBMITTED BY SENATOR RICHARD J. DURBIN

## NATIONAL SOLIDARITY PROGRAM

*Question.* One of the more successful development efforts in Afghanistan, the National Solidarity Program, appears significantly underfunded. The program uses a participatory process to allow citizens to work with their local governments to prioritize and apply for funding for decided upon projects—building critical local ownership and oversight. At a time when development needs are critical to the long-term success in Afghanistan, please explain USAID efforts to support this program.

*Answer.* USAID views the National Solidarity Program (NSP) as an important tool to build support for the Afghan Government in rural areas of the country. Created by the Government of the Islamic Republic of Afghanistan in 2003, the NSP helps Afghan communities to identify, plan, manage and monitor their own development projects. The program lays the foundation for a sustainable form of inclusive local governance, rural reconstruction, and poverty alleviation.

Since its inception in 2003, USAID has contributed \$50 million to the NSP, including \$15 million in fiscal year 2007 base and supplemental funding. In fiscal year 2008, USAID plans to contribute an additional \$50 million, doubling our total support for the program in a single year.

Fiscal year 2007–2008 USG contributions break out as follows:

[In millions of dollars]

Fiscal year	Amount
2007 Base .....	6
2007 Supplemental .....	9
2008 Base Request <sup>1</sup> .....	10
2008 Supplemental Request <sup>1</sup> .....	40

<sup>1</sup> Subject to approval and appropriation by the U.S. Congress.

Funds provided by USAID for the NSP are under the daily direction and control of the Government of the Islamic Republic of Afghanistan and are used to meet local development priorities identified by Afghans. USAID funding contributes to the Afghan Government's objective of extending the NSP to all eligible villages.

By promoting understanding of good governance at the local level, the NSP works to empower rural communities to make decisions affecting their own lives and livelihoods.

## DEMOCRACY PROGRAM IN PAKISTAN

*Question.* Please elaborate on plans to provide long-term democracy programs, including political party, election, civic strengthening, and rule of law efforts, to Pakistan?

*Answer. Background.*—USAID will conduct two assessments that will guide its future democracy and governance activities: (1) a broad, Democracy/Governance Assessment; and, (2) a specific assessment on the state of the Rule of Law that will recommend specific programmatic initiatives. Following is a general description of the program based on the currently allocated budget.

*Probable Areas of Activity.*—USAID will work with Pakistan's governing institutions, political parties, and the public to develop: (1) an issues-based political dialogue, (2) democracy within mainstream political parties, and (3) a transparent electoral process. A key focus will be on increasing transparency and accountability in support of anti-corruption reforms.

The strategy adopts a two-pronged approach:

—First, targeting improvements in local governance through community projects that are designed and implemented by local citizens. This approach helps to change citizen perceptions of how their government works and its role in improving their lives. Projects may include water systems, repair of public buildings such as schools or health clinics, or other collaborative activities.

A large component of the Federally Administered Tribal Area (FATA) program is geared to increasing the capacity of the local government in FATA. A key objective is to help extend the writ of government throughout FATA, in part by demonstrating to the people that the FATA government can provide them with services that respond to their needs.

—Second, focusing on national level political and governance challenges by working with the institutions that shape the entire system, such as the legislature and key ministries. USAID has launched a training program for newly elected parliamentarians to orient them to rules and procedures, and legislative proc-

esses. This and other projects are timely given the window of opportunity presented by the recent elections, the gradual liberalization of the media and the return of an independent judiciary. Other activities will encourage civil society groups to hold accountable newly elected leaders while providing the groups greater access to their provincial and national assemblies.

*Question.* The administration has noted in presentations regarding the budget that the fiscal year 2009 request marks the first time the President is submitting to Congress a jointly planned State Department-USAID budget. The purpose of the merging of the foreign assistance budgets and policies of the State Department with USAID is to maximize the impact of our foreign assistance dollars to reduce widespread poverty, among other objectives. We know that women are the majority of the world's poor and research has shown that investing in women increases economic productivity, child education, family nutrition and stems the spread of HIV/AIDS. However, the budget does not reflect a clear strategy for addressing gender in our foreign assistance programs. Please explain plans to integrate women's programs into foreign assistance programs.

*Answer.* I firmly believe in and support consideration of gender in the planning, development and implementation of USAID programs and strategies. USAID has always held a leadership role on gender and I intend that that leadership should continue.

Women benefit significantly from USAID programs. For example, in fiscal year 2006 women represented 58 percent of all clients of USAID microfinance and enterprise development programs. The agency also trains women entrepreneurs in marketing and business planning. In Bangladesh, a training program for entrepreneurs created 5,000 jobs, 80 percent of the positions going to women. USAID is aggressively pursuing reforms to improve the business environment in more than 50 developing countries, making a major impact advancing economic opportunities available to women.

USAID has requirements related to gender in the Automated Directives System (ADS). Under these regulations gender is to be included up front in the planning process and in the procurement process as part of all solicitations issued by the Agency. The entire ADS is now being reviewed and up-dated to ensure that it reflects USAID priorities which include the integration of gender into the programs of the Agency. Two years ago the Office of Women in Development gathered quantitative data on the extent to which gender was included in country strategies and in procurement solicitations. The revision of the ADS in 2003 to make requirements concerning gender explicit had an impact on the integration of gender throughout the planning process. The study results showed a clear improvement in the thoroughness of the discussion of gender in documents from 2003 and beyond over the pre-2003 period. The Office continues to work with Operating Units in Washington and in the field to promote and facilitate the integration of gender into all USAID programs.

With regard to monitoring and evaluation overall, in those programs for which USAID measures benefits to individuals, to the extent possible, results are disaggregated by sex to best track the inclusion of women and girls in our programs.

#### WATER

*Question.* How are assistance programs that focus on issues of water, including clean water, sanitation, water management, and conservation, developed, implemented, and overseen within USAID?

*Answer.* USAID and State consult with Congress on water language in the appropriations act and the Simon Water for the Poor Act. A joint USAID-State team then decides priorities for water assistance in the context of the Foreign Assistance Framework. Two of the Framework's Objectives include water—Investing in People and Economic Growth. The former incorporates USAID's health programs which include the clean water supply and sanitation components. The latter incorporates USAID's environment programs and agriculture programs which include the water management and water conservation components. Coordination across these objectives is achieved through USAID's cross-cutting Water Team.

Programs are then designed and implemented in close partnership between USAID and a broad array of non-governmental organizations, universities, companies, and government agencies in the assisted countries and the United States.

#### BURMA

*Question.* What plans does USAID have for both immediate and long-term democracy assistance for both Cuba and Burma, should circumstances in either country suddenly allow for a more open political process or transition?

Answer. In Burma, the United States' top priority is the establishment of a democratic state that observes the rule of law and fully respects human rights. Since the U.S. Government does not have a bilateral assistance agreement with the Government of Burma, the Department of State and USAID provide assistance to achieve this priority synergistically through international and local non-governmental organizations.

The goal of U.S. democracy assistance is to build the capacity of the Burmese people to participate in a democratic society by providing them with the information and skills necessary to participate effectively in a dialogue that leads to a transition to democracy. This includes providing educational opportunities to prepare the future leaders that a democratic Burma will require. These programs complement our diplomatic efforts urging the Burmese regime to begin a credible, inclusive dialogue with pro-democracy activists and ethnic minorities to pave the way for a transition to a free, open, broadly representative government that respects the human rights of all of its people. U.S. assistance programs maintain flexibility in order to pursue emerging opportunities. The co-chairs of the interagency Burma Assistance Working Group would be happy to provide an oral briefing as the situation in Burma develops.

#### CUBA

*Question.* What plans does USAID have for both immediate and long-term democracy assistance for both Cuba (and Burma), should circumstances in either country suddenly allow for a more open political process or transition?

Answer. In addition to USAID's ongoing Cuba program, the agency has, for the past 18 months, been engaged in intensive inter-agency planning for democracy and transition assistance to Cuba, upon United States recognition of a transition<sup>1</sup> government in Cuba. This planning effort is being coordinated by the Cuba Transition Coordinator, working with the Department of State's Bureau of Western Hemisphere Affairs (WHA), the Coordinator for Reconstruction and Stabilization (S/CRS), and USAID. Democracy and governance assistance to Cuba is planned in three phases—Hastening, Transition, and Long-Term Democracy and Governance Phases—which correspond to benchmarks identified under U.S. law on assistance to Cuba.

Key tasks in the current, ongoing Hastening Phase include: providing humanitarian assistance to families of political prisoners and others; supporting the release of political prisoners and improving human rights conditions; strengthening civil society and the pro-democracy movement; supporting freedom of information through the dissemination of materials and equipment; and increasing international encouragement of democracy. The USAID program, through its support to non-governmental organizations and U.S. universities, currently provides: Leadership training to Cuba's proponents of human rights; global publication of reports by Cuba's independent journalists worldwide via the Internet and distributed in hard copy inside Cuba; and direct outreach to the Cuban people through distribution of books, newsletters, videos and radios.

The Transition Phase is focused on the goal of free and fair elections, as well as other key objectives identified by the Commission for Assistance to a Free Cuba (CAFCII). Programming during this phase will commence when requested by a United States-recognized transition government in Cuba. Key tasks during this Phase include: Assisting a transitional government to establish the legal framework for elections and civil liberties; strengthening political parties and independent groups through trainings; supporting creation of independent media via journalist trainings; supporting the transitional government's institutions to administer and secure free and fair elections, through the establishment of independent electoral bodies, voter registries and voter education; and supporting the transitional government's measure to establish rule of law, and provide training for security and justice personnel in human rights. During this Phase, there will also be a focus on activities to increase private sector business and economic activity, such as start-up grants for microfinance institutions.

The Long-Term Democracy and Governance Phase plans for assistance to a democratically-elected Cuba along the lines of an assistance portfolio implemented by the USG in other post-transition settings, with the goal of assisting the Cuban people in establishing democracy and good governance of key institutions. Key tasks during

<sup>1</sup> "Transition" refers to a particular "trigger" or key development when the USG and U.S. Congress agree that the situation on the island is such that requirements of Helms Burton and/or other legislative restrictions are met and the United States can provide broader assistance than legislation currently permits.

this Phase include: Supporting a democratic Cuban government in establishing good governance of key executive institutions, through technical support to key ministries; building and consolidating rule of law institutions; reforming legislative functions, via adoption of rules of procedure and establishing leadership and committee structures; supporting transparency and accountability reforms; the institutionalization and strengthening of political parties; strengthening of civil society; and establishing human rights institutions.

Additionally, fostering economic growth and opportunity under a transitional Cuban government will be critical to reinforcing and solidifying a democratic transition on the island. As part of the Inter-Agency Economic Working Group (EWG) for Cuba, USAID has been heavily involved in scoping out key areas of economic assistance that will be crucial in the event of a transition. These areas include macro-economic stabilization and reform, private sector strengthening, trade and investment, business sector development, agriculture, and infrastructure.

#### SUBCOMMITTEE RECESS

Senator LEAHY. Thank you. The subcommittee will stand in recess.

[Whereupon, at 3:30 p.m., March 4, the subcommittee was recessed, to reconvene subject to the call of the Chair.]